

PLATEAU MINING CORPORATION

P.O. Box 30
Helper, Utah 84526

December 14, 2006

Mr. Jeff Studenka
State of Utah
Department of Environmental Quality
Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4870

RECEIVED

DEC 21 2006

DIV. OF OIL, GAS & MINING

*Incoming OK
12/07/06*

**Re: Upset Condition, UPDES Permit No. UTG040012, Plateau Mining Corporation,
Willow Creek Mine, Carbon County, Utah**

*Copy Wayne, SM
Tom, [unclear],
Dave Darby*

Dear Mr. Studenka:

Plateau Mining Corporation (PMC) experienced an Upset Condition on November 29, 2006 when water discharged from a reclaimed ventilation shaft in Crandall Canyon (see UPDES Permit No. UTG040012, Part III.H.2). The discharge resulted when water in the shaft was displaced by soil which was being pushed into the shaft to correct a safety hazard as the shaft had recently settled a significant distance.

On November 27, 2006 at approximately 900 hours, while Dennis Ware of PMC was inspecting the Crandall Canyon reclamation site with Mark Greenhalgh, Project Manager for Nielson Construction Company (NCC), it was discovered that the easterly most shaft (shaft #2) had settled several hundred feet (the distance of settlement was estimated to be several hundred feet based on dropping a rock and timing its decent to the bottom). Further, water could be heard falling in the shaft. This shaft, which is 20 feet in diameter and has a vertical depth of 1,456 feet, was backfilled as part of the reclamation of Crandall Canyon in September of 2003. At approximately 1030 hours the Division of Oil, Gas and Mining (DOGM) and the Bureau of Land Management (BLM) were notified of the situation by phone followed by an email at 1050 hours. At approximately 1300 hours a site meeting was held at the shaft with representatives from PMC, NCC, The BLM and DOGM were in attendance. It was jointly determined that the shaft opening was a safety hazard and should be backfilled with the material available on site as soon as possible.

At approximately 830 hours on November 28 NCC Project Manager, Mark Greenhalgh, arrived on the site with a dozer to begin pushing the available material into the shaft. This work continued (slowly due to the frozen ground) until approximately 1600 hours

when work ceased for the day. At this point in time, water could be seen in the shaft. The water was most likely that water which could be heard running into the shaft when the shaft settlement was first discovered. (A review of the Willow Creek SMCRA Permit found a reference (see attached page 3.7-34 from the Willow Creek Permit) to water entering the shaft during its construction and operation from between the unconsolidated soils and the bedrock 30 to 60 feet below the top of the shaft.) It was assumed that the volume of the water that could be seen was minimal and that the completion of the project would only take a short time.

The following day, November 29 at approximately 1100 hours, after a general discussion between PMC, NCC Equipment Operators (the Project Manager was unable to be on site due to a prior commitment) began pushing material into the shaft. At approximately 1200 hours, water that was in the shaft began to spill into the Crandall Canyon channel as it was displaced from the shaft by the material being pushed in. The Equipment Operators continued to push material into the shaft displacing the water until approximately 1600 hours when, puzzled by the fact that the material being pushed into the shaft had not come to the surface, stopped their activities to access the situation. They dropped a 180 foot rope into the shaft and it did not hit bottom. The Equipment Operators then drove out of Crandall Canyon to contact the Project Manager. As the Equipment Operators left the canyon they noticed that the water that had been displaced from the shaft had flowed all the way down Crandall Canyon to the Price River, a distance of approximately 1 ¼ miles. The Equipment Operators notified the Project Manager of the situation who in turn instructed them to cease operations. The NCC Project Manager attempted to contact Dennis Ware of PMC but was unable to do so until approximately 730 hours on November 30th.

Dennis Ware, on November 30, immediately after hearing of the upset condition drove to Crandall Canyon to inspect the situation. At approximately 1030 hours, after having made the onsite visit, Dennis attempted to contact the DOGM inspector for the Willow Creek Mine at the Price Field Office who was not available. After returning to Crandall Canyon Dennis Ware collected a water sample at 1320 hours. For safety reasons the water sample had to be taken by tying a water bottle to a rope and lowering it into the shaft and retrieving it by pulling it up the embankment. This method of sampling likely introduced additional earthen material into the sample. At the same time the water sample was taken, a well sounding tape was lowered into the water standing in the shaft and the bottom was detected at 488 feet below the surface.

The next morning, December 1, at approximately 1000 hours Dennis Ware notified Mr. Jeff Studenka from the State Division of Water Quality of the upset condition. Also, at 1100 hours on December 1, an additional water sample was taken because the quantity of water taken on November 30 was not enough to run all the quality parameters requested by PMC. Also on December 1, both Peter Hess and Karl Housekeeper of the DOGM Price Office were able to return the calls made by PMC and they were both notified of the upset condition.

The exact quantity of water which entered the Price River from this upset condition is unknown. Mr. Mark Greenhalgh, Project Manager from NCC estimates that the Equipment Operations ripped, gathered and pushed for approximately four hours while water was being displaced. He further estimates that the quantity of material pushed into the shaft while water was being displaced was from 400 and 600 cubic yards. The quantity water that made it down the Crandall Canyon drainage, approximately 1 ¼ miles, and spilled into the Price River is unknown.

The preliminary results of the water quality analysis was provided to DOGM and DWQ on December 5 and the final water quality was provided on December 11th. PMC, not knowing exactly what quality parameters would be required, had all parameters analyzed that the SGS lab in Huntington, Utah was capable of performing.

Had either NCC's Project Manager or PMC's Dennis Ware been on site when the water began to spill the project would have been halted. NCC's Project Manager, who had taken on this job in Crandall Canyon on an emergency basis, was required at a previous commitment and Dennis Ware from PMC was tied up with family medical issues that afternoon. NCC's Equipment Operators did not recognize the potential problem with the discharge of the water and therefore followed their previous instructions to backfill the shaft.

Following this upset condition PMC, for safety reasons, has covered the shaft with wire mesh, constructed a six foot chain link fence around the shaft and will wait until spring to determine the next step in the process. No further water will be removed from the shaft without the prior approval of both DOGM and DWQ.

If DWQ has any questions or needs additional information, please do not hesitate to contact me at (435) 472-4737.

Sincerely,



Dennis N. Ware

Controller and Administrative Manager

cc: Pamela Grubaugh-Littig, UDOGM, SLC Office
cc: Peter Hess, UDOGM, Price Office